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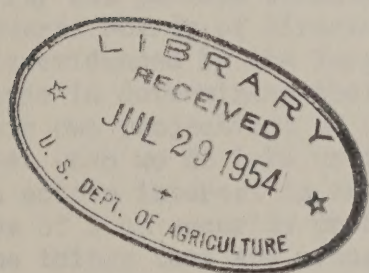
Northeast Area

INTERIM FIELD CONFERENCE

March 22-26, 1954

Philadelphia, Pennsylvania

Bellevue-Stratford Hotel







A SUMMARY OF THE INTERIM FIELD CONFERENCE  
March 22-26, 1954

Northeast Area

MONDAY - March 22, 1954

Registration and Introductory Remarks

Following the registration and introduction of participants the conference was opened with general remarks by Mr. Ralph Foreman, Area Director.

Loan Security Problems

Mr. Francis L. Keohan, Operations Field Representative, reviewed REA Bulletin 100-4, Security of REA Loans to Electric Distribution Borrowers. In the general discussion following Mr. Keohan's presentation, special circumstances which might endanger loan security were discussed. It was pointed out that delayed maintenance over a period of years could cause a borrower to be considered as having loan security problems even though it appeared otherwise to be in good financial condition. The responsibility of REA to assist in the preparation of a statistical review of the operational trends for borrowers in the loan security problem group was discussed. The method of computation of the Debt Service Earned Ratio and the use of this measure were also discussed.

Mr. William R. Shertzer, Operations Field Representative, reviewed Staff Instruction 100-1R1, Electric Distribution Borrowers with Loan Security Problems.

In the general discussion following, Mr. Foreman pointed out that the REA Bulletin on Loan Security has perhaps stimulated more interest among the members of borrowers' boards of directors than anything that REA has published. This is evidenced by the large number of borrowers who have requested assistance in determining their own DSER ratio and who have already commenced their own projections of operational trends. It has been our experience that when we do take matters to the boards of directors, they do take an active interest in them, and it is our responsibility in the cases of loan security problems to call to attention of the boards the things that are wrong and advise them with respect to the necessary corrective actions.

Also discussed were instances of borrowers who have been unable to achieve the KWH consumption which was estimated, and whose experience seems to indicate that it is unlikely that they will be able to do so in the future. Under such circumstances it was agreed that realistic estimates must be used in evaluating the borrowers financial position, and that in such cases it may be necessary to ask the Program Analyst Division to make another study based on present actual conditions.





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The remainder of the day was devoted to the Loan Security Program. Mr. Edward R. Kipp, Operations Field Representative discussed an approach to the initial presentation of the problem to the borrower.

Mr. Kipp suggested that the first step in presenting the problem to the borrower is the arranging visit with the board of directors to discuss with the members of the board the desirability of making a projection of their future operation.

He advised that in discussing the financial situation of the borrower with the board, that he does not mention their DSER position, but tells them that it appears that they might have a financial problem and that a projection and analysis should be made to determine whether this is true.

One of the first difficulties is the need to over-come the always present resistance to change. The objective of the first meeting should be to lay the ground-work for changes, and if possible secure a board resolution either for making an analysis or developing a remedial plan.

Mr. William M. Imwalle, Operations Field Representative led a discussion of the data to be prepared by the cooperative management in connection with the remedial plan. A sample remedial plan was furnished as a hand-out and was reviewed as a basis for the discussion. During the discussion, it was suggested that if upon completion of the projection and forecast, it appears that the borrower will be successful in achieving maximum debt service, the projection would in itself serve in lieu of a remedial plan. If however, the projection indicates that the borrower will not reach maximum debt service then a formal remedial plan is necessary. It was suggested that at this point a TO & M Survey is necessary before a remedial plan is prepared.

The suggestion was received from the group that another term than "remedial plan" might be more acceptable to the borrowers.

Messrs. William Shertzner, Operations Field Representative, and Charles Proffitt, Electrical Engineer, reviewed an actual problem which they had handled which was an illustration of the method for integrating the TO & M Survey with the remedial plan. The steps they had followed were:

1. Field Engineer makes modified TO & M Review.
2. Operations Representative discusses with Manager, the possible financial difficulty.
3. Operation Representatives and Manager discuss subject with board of directors.
4. Manager received authorization from the board to make projection and analysis.
5. Operation Representative returns later to review projection and analysis.





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6. Field Engineer makes regular detailed TO & M review if necessary.
7. Manager with assistance from Operations Representative and Field Engineer prepare basic plan for future operation, incorporating the results of the TO & M survey.

Mr. Frank Helring, Operations Field Representative, discussed the preparation of Long-Range Forecasts. He indicated that the technique is not particularly important provided that the desired results are obtained. Mr. Helring pointed out that the long-range forecast is accomplished through evaluating past performance, and projecting that performance into the future while making allowance for such changes as can be foreseen. It was his opinion that the success of the projection would depend to a large extent upon the experience and familiarity of the borrower's management.

Mr. Henry E. Bowen, Operations Field Representative, led a discussion on how the borrowers can eliminate loan security problems. Mr. Bowen advised that toward that end, borrowers should establish positive objective program. The board of directors should establish objectives that are realistic and possible of attainment, that they include among other normal operating functions a good power-use program, and that they secure the lowest wholesale rate possible. We pointed out that vital to success is the adoption of acceptable policies, and the maintaining of guiding policies and procedures in written form. Also, discussed were the factors of organizational pattern, personnel selection, etc.

Mr. Ralph Foreman, Area Director, summarized the day's program, and emphasized the need for most borrowers to increase their KWH sales, and re-emphasized the importance of written policies and procedures.

He discussed briefly the organization of a typical cooperative pointing out the necessity for managers to delegate more responsibilities than many are inclined to do.





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TUESDAY - March 23, 1954

##### Loans Program

Mr. Wade M. Edmunds, Chief, Northern Region, addressed the group describing the Power-Use Conference held ten days previously in Chicago, the possibility of atomic-powered generating plants in the reasonably near future, and the recent interest of the Edison Institute in the use of higher secondary voltages.

The remainder of the day was devoted to discussion of the Loans Program to date. Mr. Ralph Foreman mentioned the recent loans training program and stated that it was expected that the newly devised short loan procedure would reduce the processing time appreciably when applicable.

Mrs. Viola Schmidt, Assistant Head, Operations Section IV, reviewed proposed REA Bulletin 20-2 and Staff Instruction 20-7.

An indexed folder containing these and other related material was furnished as a hand-out for use in the discussion and for later reference.

The preparation of both "short form" and "long form" loan packets was discussed and samples of each were provided. Reviewed in detail during the discussion were the new forms to be used by the borrower in the preparation of their loan applications.

Included was a brief discussion of the processing of loans to borrowers whose DSER is less than 100% and the added difficulties that such cases present in the processing of the application.

Section V Loans were discussed briefly and a sample packet furnished to those present.

Mr. William L. Woehler, Head, Engineering Section, described the responsibilities of the field engineers in connection with the loans program. Those responsibilities include a determination as to the status of construction with funds from previous loans, assistance to the Engineering Section with the preparation of cost estimates, and what part of the construction indicated in system study will be necessary to be included in the current loan.

Mr. Hubert Moore, Head, Accounting Section, discussed the responsibilities of field accountants in connection with the loans program. He advised that it is frequently necessary to determine in the field the condition of the borrowers records, the status of the borrowers records, the status of the borrowers general funds, and the condition of the budget with respect to unadvanced funds. Borrower should be advised





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how to clear up suspense accounts. Any indication of irregularities should be investigated.

Mr. R. S. Broderick, Head, Operations Section I, discussed the responsibilities of Operations Field Representatives with respect to the Loans Program. These responsibilities included furnishing advise with regard to the preparation of the application, reviewing the procedure with the manager, and field checking the application once prepared. He emphasized a number of specific points which should be given careful attention in connection with the field review, i. e., the borrowers debt limit, board resolutions, information on idle services, adequate justification for headquarters facilities, etc.

#### Power Use

Mr. Foreman reviewed the recent Power Use Conference held in Chicago. He emphasized the following points:

1. The onauguration of an effective Power Use program would result in the disappearance of many of our loan security problems.
2. The purpose of the Chicago meetings was to evolve a program of cooperative action between borrowers, statewide associations, power companies, and manufacturers.
3. The program is to be pointed toward load building with REA to provide a clearing house for information.
4. REA with assistance of the National Association will undertake to compile a list of equipment manufacturers.

Mr. Fred McVey, Electric Operations and Loans Division, reviewed in detail a plan which has been put into effect by a Wisconsin borrower. He pointed out the steps by step procedure for planning, developing and executing a power use program and proposed method for following through and evaluating the results.

The borrowers problems of securing adequate servicing arrangements for consumers equipment, and the immediate cost of employment of electrification advisors to assure long-range benefits, were given attention.





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WEDNESDAY - March 24, 1954

Borrowers Accounting Procedures

The Wednesday session was devoted primarily to discussion of the changes in borrowers accounting and record keeping procedures.

Mr. Hubert Moore, Head, Accounting Section and Cecil Howell, Field Auditor, discussed the changes which resulted from the recent revision of the uniform system of accounts.

Mr. Charles Moore, Electrical Engineer, and Kermit Culver, Electric Operations and Loans Division the new system of retirement units, defining the several types of units and describing the intended purpose of each type.

Mr. Hubert Moore, Head, Accounting Section, Charles Moore, Electrical Engineer, discussed the new system of depreciation rates. This discussion included an explanation of the theory of depreciation and the establishment of rates together with a brief history of depreciation rates in the utility industry.

Mr. Kermit Culver, Electric Operations and Loans Division, discussed new ranges of depreciation rates and the calculations necessary to using the new rates.

Mr. Culver briefly described the background for the proposed changes in the work order manual.

Mr. Hubert Moore, reviewed in detail the draft of the new work order procedure. He discussed each step and the related forms to be used in connection with the procedure. It was generally agreed that the new procedure represents an improvement.

Mr. Bernard Healey, Field Assistant and Charles Moore, Electrical Engineer, discussed continuing Property Records. Mr. Healey described the procedure for setting up the records and Mr. Moore discussed breaking down construction units for recording in continuing property records.

Mr. Roy Zook, Assistant Administrator, addressed the group in the afternoon. He reviewed the program since last September 1, and made general comments on future prospects. He mentioned the outlook for funds for the coming year and assured the group that the present field positions appeared to be firm for next year. He pointed out that REA has loaned about \$2,000,000 more to date this year than was done in the corresponding period last year.





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He was complimentary with regard to the performance of the group over the past six or seven months in the reduction of delinquencies and progress on remedial plans.

He emphasized that the primary job now is the security of loans made to borrowers. His comments were followed by a question and answer session.





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THURSDAY - March 25, 1954

### Technical Operations and Maintenance Surveys

Thursdays session was devoted to discussion of Technical Operations and Maintenance and to individual section meetings.

Mr. Woehler, Head, Engineering Section, reviewed the progress of the program to date. He advised that 26 TO & M surveys have been completed as of this time. It was pointed out that these survey reports must be coordinated with the loan security program. Mr. Woehler defined the circumstances that would determine whether general or a comprehensive survey should be made. He outlined what would be expected in the survey reports. Mr. Hubert Males, Head, Operations Section IV, discussed the importance of TO & M surveys to loan security through assisting with the evaluation of management. Mr. R. S. Broderick, Head, Operations Section I, discussed the importance of periodic surveys in determining whether the security of loans has been affected through neglect of proper operations and maintenance. Mr. Howard S. Willard, Electrical Engineer, described in detail, what information should be contained in a TO & M survey report.

Mr. Foreman reviewed REA Bulletins and Staff Instructions relating to TO & M and summarized the mornings discussions on the subject.

### Individual Section Meetings

#### ENGINEERING SECTION

The following topics were discussed:

1. Factors involved in selection of proper voltages in preparation of system design.
2. Various technical aspects of TO & M surveys.
3. Conversion of transformers to large capacitors.
4. General.

#### OPERATIONS SECTION I & IV

The following topics were discussed:

1. KWH estimates to be used in projection of operational trends.
2. Factors to be considered with regard to retail rates, by Mr. Arnett, Operations and Loans Division.





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3. General.

ACCOUNTING SECTION

The following topics were discussed:

1. Detailed instructions regarding specific duties.
2. Detailed accounting procedures.
3. Forms of reports.
4. General.





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FRIDAY - March 26, 1954

Administrative Items

Friday session was devoted primarily to discussion of administrative items.

Mr. Foreman led a general discussion on itineraries, leave, travel, field reports, summary reports, etc. Appropriate Staff Instructions were reviewed. Mr. Benjamin Waldo, Travel Section, was present and assisted in this discussion.

A report from the constructive suggestion session was delivered. A copy of this report is attached following this summary.

The field representatives expressed a desire to continue the Area Conferences and voted to hold the next one in November at Clarksburg, West Virginia.

Conference Adjourned

REMARKS

The conference appeared to be very successful. There was evidence of continued interest throughout. Field Representatives indicated their approval of the extensive use of field personnel on the program and requested that this practice be continued in future conferences. It is considered that the Area Conferences provide an opportunity to discuss details of procedure and specific problems, and are valuable to supplement the larger annual field conferences which must of necessity be directed toward a broader and more general approach. These remarks, we believe, reflect the general feeling of those who attended.





REPORT FROM CONSTRUCTIVE SUGGESTION MEETING

1. The field men would like to have a list of borrowers in the Northeast Area showing their debt service earned ratio for 1951, 1952 and 1953, and the weighted age of the system as of December 31, 1953.

Advised that this information would be made up from the IHM run and sent to them. It was pointed out that DSER figures should be treated confidentially; that care should be taken to not pass on information concerning one borrower to another. (Mailed April 15)

2. Field men would like to have current list of all other field men's names and addresses. This was promised. (Mailed April 15)
3. Field men would like to receive notification of their expense vouchers clearing the Area Office, as in the past. If practice has been discontinued, they request re-establishment. Some of the field men said they were not receiving notification.

Advised practice had not been discontinued and would be continued in the future.

4. The field men felt the newsletters were very informative and appreciated by the field personnel. It was suggested that the information be printed on both sides of the paper in order to decrease filing space required by those retaining copies.

Advised that this suggestion would be passed on to Mr. Emerson. Field men also advised that we needed more information from the field personnel to incorporate in the newsletter.

5. Field men felt more headquarters time should be allowed when future itineraries of field personnel are planned in Section Offices, in order that field men may have time to complete past work, plan new assignments, and complete necessary REA administrative work, which now requires most Saturdays and Sundays to complete.

Advised that we would try and give this matter consideration in the future but that we could not allow one day a week arbitrarily.

6. The field Engineers appreciate the consideration given to their suggestion at St. Paul to upgrading most of the Field Engineers from GS-11 to GS-12. It was suggested that qualified field personnel carrying on identical work as personnel now in the GS-12 grade be upgraded as soon as possible from GS-11 to GS-12.

Mr. Foreman advised that two of the three members of the Field Staff formerly grade GS-11's had been promoted to grade GS-12. He is of the opinion that as soon as it has been determined how much administrative money REA will have next year, he will again be in a position to discuss this matter with his supervisor.





## 2-Report from Constructive Suggestion Meeting

7. The field men felt the entire program for this Interim Conference was well planned and executed; that much credit should be given to those who planned the program. They suggested utilization of field men on future programs should be continued.

We agree and will be continued.

8. Arrange for picture to be taken of Northeast Area group at Chicago meeting.

This matter to be discussed during conference in June 1954.



